

Message Text

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C O N F I D E N T I A L SECTION 1 OF 4 OSLO 1303

LIMDIS

E.O. 11652: GDS

TAGS: OGEN, NO

SUBJECT: ANNUAL POLICY ASSESSMENT: NORWAY

REF: (A) STATE 9732 (B) STATE 32826

1. NORWAY AND U.S. GOALS AND INTERESTS.

OUR OBJECTIVES IN NORWAY ARE ESSENTIALLY THREE-FOLD:
TO MAINTAIN OUR CLOSE DEFENSE COOPERATION; TO PROMOTE
OUR ECONOMIC-COMMERCIAL INTERESTS; AND TO OBTAIN NOR-
WEGIAN SUPPORT OR BENEVOLENT NEUTRALITY ON ISSUES OF
CONCERN TO US.

2. FOR THE FORSEEABLE FUTURE, NORWAY WILL REMAIN AN
IMPORTANT MILITARY ASSET TO THE U.S. AND NATO THROUGH
ITS STRATEGIC GEOGRAPHICAL POSITION -- ASTRIDE
MOSCOW'S TWO MAIN EXITS TO THE ATLANTIC AND BORDERING
ITS MAJOR MILITARY-NVAL COMPLEX ON THE KOLA PEN-
NINSULA. IN EXCHANGE FOR ITS COOPERATION, NORWAY
HOPES THAT NATO AND PARTICULARLY THE U.S. WILL HELP
PROTECT VULNERABLE NORTH NORWAY IN THE EVENT OF WAR
OR EAST-WEST CRISIS. IT IS THIS AWARENESS OF COMMON
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SECURITY INTERESTS WHICH PROVIDES THE REAL CEMENT FOR

THE U.S. NORWEGIAN RELATIONSHIP, MAKING IT RESISTANT TO DISRUPTIVE POLITICAL PRESSURES.

3. THE DISCOVERY OF LARGE QUANTITIES OF OIL ON NORWAY'S CONTINENTAL SHELF HAS ADDED A STRATEGIC DIMENSION TO OUR HITHERTO LIMITED ECONOMIC INTERESTS IN NORWAY. BUT NORWAY'S RELUCTANCE FOR DOMESTIC REASONS TO SEE THIS OIL DEVELOPED AT A RATE WHICH COULD SIGNIFICANTLY REDUCE THE DEPENDENCE OF NEEDY ALLIES ON OUTSIDE ENERGY SOURCES SHRINKS THE SIGNIFICANCE OF THIS ASSET TO THE ALLIANCE IN REAL TERMS. THE PROMISE OF FUTURE OIL WEALTH HAS, MOREOVER, AGGRAVATED LATENT, INWARD-LOOKING, NATIONALIST ATTITUDES WHICH WERE STIMULATED BY THE 1972 EEC REFERENDUM. IT IS DEBATABLE AT THIS STAGE, THEREFORE, WHETHER NORWAY'S BONANZA IS A NET GAIN FOR THE WEST.

4. PARADOXICALLY, HOWEVER, NORWAY'S INFLUENCE AND CAPACITY FOR LEADERSHIP HAVE INCREASED IN THIS PERIOD WHEN IT IS MORE INWARD-LOOKING. INTEREST IN ACCESS TO NORWAY'S NEW-FOUND ENERGY RESOURCES AND WEALTH HAS REINFORCED ITS ALREADY POSITIVE IMAGE, PARTICULARLY IN SCANDINAVIA AND THE LDC'S, AS A SOCIALLY-PROGRESSIVE STATE AND "FRIEND OF THE UNDER-DOG" WHICH HAS THE GUMPTION TO IRRITATE ITS NATO ALLIES BY ITS "SELF-CENTERED BEHAVIOR". WE HAVE EVERY INTEREST IN TRYING TO HARNESS THIS INFLUENCE IN SUPPORT OF OUR POLICIES, PARTICULARLY IN THE THIRD WORLD.

5. THE BALANCE SHEET.

IN GENERAL, I AM PLEASED WITH OUR ACHIEVEMENTS IN NORWAY IN THE PAST YEAR:

A. IN THE KEY AREA OF DEFENSE, THERE HAS BEEN FULL CO-OPERATION WITH OUR SENSITIVE BILATERAL PROJECTS: THE GALLUP POLL SHOWS CONTINUED STRONG NORWEGIAN SUPPORT FOR NATO MEMBERSHIP; AND NORWAY'S MILITARY EFFORT REMAINED COMMENDABLE IF BELOW THE ANNOUNCED TARGET GOALS. NEGOTIATIONS FOR COLLOCATED OPERATING BASES (COBS) WERE CONCLUDED SUCCESSFULLY, AND THANKS TO DEFENSE MINISTER FOSTERVOLL'S VIGOROUS LEADERSHIP

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AS HEAD OF THE EUROGROUP, NORWAY WILL APPARENTLY PURCHASE THE F-16 LIGHTWEIGHT FIGHTER, PREFERABLY AS MEMBER AND LEADER OF A FOUR-NATION CONSORTIUM.

B. POLITICALLY, IT IS HARD TO SEE HOW OUR WORKING RELATIONS WITH CABINET MINISTERS AND THEIR KEY ADVISERS COULD BE MUCH CLOSER OR MORE COOPERATIVE, PARTICULARLY IN THE AREAS OF DEFENSE AND FOREIGN AFFAIRS. IT WAS

THE PRIME MINISTER'S PERSONAL INTERVENTION FOLLOWING MY DEMARCHE WHICH APPARENTLY TURNED THE AIRCRAFT ISSUE AROUND IN FAVOR OF A DECISION NOW RATHER THAN POST-PONEMENT. WITHIN THE LABOR PARTY AND TRADE UNIONS WE HAVE DEVELOPED CONTACTS THROUGHOUT NORWAY, ADDING DEPTH TO OUR RELATIONS WITH THE TOP LEADERSHIP. I AM PARTICULARLY PLEASED THAT PATIENT EFFORTS HAVE PRODUCED RENEWED DIALOGUE BETWEEN NORWEGIAN LABOR AND THE AFL-CIO. IF THE GALLUP POLL IS ACCURATE, THERE IS A GOOD CHANCE TO SEE A NON-SOCIALIST MAJORITY GOVERNMENT IN 1977; WE HAVE ACCORDINGLY TAKEN CARE TO MAINTAIN CLOSE CONTACTS WITH THE GAMUT OF LEADING NON-SOCIALIST POLITICIANS.

C. I AM LESS HAPPY WITH NORWEGIAN POLICY IN THE ENERGY FIELD. WE ARE DEALING HERE WITH A NEW ISSUE WHOSE IMPLICATIONS FOR NORWEGIAN SECURITY ARE NOT AS VISIBLE AS THEY ARE FOR THE CHERISHED NORWEGIAN WAY OF LIFE AND NORWAY'S RIGHT TO CONTROL ITS OWN RESOURCES. THERE WAS A MOMENT WHEN I BELIEVED WE MIGHT HAVE PERSUADED NORWAY TO BECOME A FULL MEMBER OF THE INTERNATIONAL ENERGY AGENCY, BUT THAT MOMENT UNFORUNATELY PASSED, AND I FEEL NORWAY HAS PROBABLY GONE AS FAR AS IT POLITICALLY CAN TO DEMONSTRATE SOLIDARITY BY OPTING FOR ASSOCIATE MEMBERSHIP. I DO NOT BELIEVE THAT THE CRITICS OF THIS AGREEMENT WILL SUCCEED IN THEIR PRESENT CAMPAIGN TO PREVENT ITS RATIFICATION BY THE STORTING. OUR OIL COMPANIES FEEL, OF COURSE, VERY FRUSTRATED BY AN EVOLVING OIL POLICY OF RELATIVELY SLOW DEVELOPMENT AND A DOMINANT ROLE FOR STATE-OWNED OPERATIONS, A TAX POLICY WHICH CAN MAKE EXPLOITATION UNPROFITABLE IF THE OIL PRICE SHOULD DROP VERY MUCH, AND QUESTIONABLE PROSPECTS OF PARTICIPATION NORTH OF 62°N WHEN THIS AREA IS OPENED

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UP FOR EXPLOITATION IN 1977. WE ARE HOPING THAT THE SLOW-DOWN IN KEY AREAS OF THE ECONOMY SUCH AS SHIPPING AND FISHING, AND A GROWING AWARENESS THAT RISING COSTS ARE LIKELY TO MAKE THE NORTH SEA LESS OF A KLONDIKE THAN FEARED, MAY WEAKEN OPPOSITION TO MORE RAPID OIL AND GAS DEVELOPMENT, PARTICULARLY SINCE OIL FINDS ARE ALSO GREATER THAN EXPECTED.

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C O N F I D E N T I A L SECTION 2 OF 4 OSLO 1303

LIMDIS

D. OUR TRACK RECORD IN COMMERCIAL RELATIONS IS EXCELLENT; EXPORTS INCREASED ALMOST 71 PERCENT IN 1974, AND WE HAVE BECOME NORWAY'S FOURTH LARGEST SUPPLIER. U.S. EXPORTS SHOULD REMAIN STRONG THOUGH IT IS DOUBTFUL WHETHER THE 1974 RATE OF GROWTH CAN BE MAINTAINED GIVEN WORLD ECONOMIC CONDITIONS WHICH HAVE THUS FAR, FORTUNATELY, MAINLY HURT CERTAIN NORWEGIAN EXPORT SECTORS. WE SHOULD ALSO BE ABLE TO MAINTAIN HIGH LEVELS OF AGRICULTURAL EXPORTS, DESPITE NORWAY'S EFFORTS TO BE MORE SELF-SUFFICIENT.

E. IN THE CRUCIAL AREA OF NORWEGIAN-SOVIET RELATIONS, THE CURRENT SITUATION IS STABLE BUT THE LONGER-TERM TREND IS LESS CLEAR. NORWEGIAN CONCERN OVER WHAT RUSSIA MIGHT DO PROVIDES THE ULTIMATE BASIS FOR OUR CLOSE DEFENSE COOPERATION, AND THE SOVIETS HAVE BEEN PLAYING THEIR CARDS WELL, MAINTAINING A LOW, REASSURING PROFILE AGAINST A BACKGROUND OF EAST-WEST DETENTE. THUS FAR IN THEIR DEALINGS WITH THE SOVIETS, NORWEGIAN OFFICIALS ARE SHOWING THEIR TRADITIONAL STUBBORNNESS IN PROTECTING THEIR INTERESTS -- INSISTING ON THE MEDIAN LINE IN THE BARENTS SEA DELIMITATION TALKS AND REJECTING SOVIET EFFORTS TO OPEN A CONSULATE IN TROMSO. THEY ARE OBVIOUSLY INTRIGUED, HOWEVER, BY THE

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IDEA THAT THEY CAN MADE A BILATERAL DEAL, PROMISING TO EXCLUDE "FOREIGN" OIL RIGS FROM THE BARENTS SEA IF

MOSCOW WILL ACCEPT THE NORWEGIAN POSITION ON THE SVALBARD CONTINENTAL SHELF AND THE MEDIAN LINE. A DE FACTO CONDOMINIUM IN THE BARENTS SEA AREA WOULD OBVIOUSLY UPSET THE LONG-TERM POWER BALANCE IN THE NORTH AND IMPLY A NORWEGIAN CONFIDENCE IN SOVIET INTENTIONS WHICH COULD HAVE AN ADVERSE IMPACT ON THE NORWEGIAN DEFENSE EFFORT AND OUR BILATERAL ARRANGEMENTS. NORWAY APPEARS TO HAVE MOVED IN THE PAST YEAR FROM ALMOST PANIC AT THE THOUGHT OF BEING LEFT ALONE WITH THE RUSSIANS IN THE ARCTIC TO A FEELING OF CONFIDENCE THAT THEY ARE PROTECTED BY NATO AND EAST-WEST DETENTE AGAINST MISCALCULATION.

F. ON SVALBARD, WHERE WE ARE SIGNATORIES OF THE 1920 TREATY, WE ARE CONCERNED BOTH TO PROTECT NORWEGIAN SOVEREIGNTY AGAINST SOVIET ENCROACHMENT AND TO PROTECT OUR ECONOMIC RIGHTS. WE HAVE AVOIDED A CONFRONTATION WITH NORWAY OVER THE QUESTION OF OUR RIGHT UNDER THE TREATY TO DRILL ON THE CONTINENTAL SHELF OFF SVALBARD (WHICH NORWAY CONTENTS WE DO NOT HAVE) BY RESERVING OUR POSITION ON THIS LEGAL QUESTION, BUT THIS RESERVATION ONLY POSTPONES THE PROBLEM. ON SHORE, WE MAY WISH TO EXAMINE THE IMPLICATIONS FOR OUR INTERESTS OF NORWAY'S ARBITRARY DESIGNATION OF ALMOST HALF OF SVALBARD AS NATIONAL PARK AREA (WHICH THE SOVIETS ALONE HAVE PROTESTED); WE WILL ALSO WISH TO MONITOR THE SOVIET ATTITUDE TOWARD OPERATIONS AT THE NEW INTERNATIONAL AIRPORT WHOSE OPENING THIS SUMMER WILL CHANGE THE ISOLATED CHARACTER OF SVALBARD. SINCE THE SOVIETS ARE NOW PARTIALLY ACQUIESCING IN NORWAY'S BELATED EFFORT TO ASSERT ITS SOVEREIGNTY ON SVALBARD WHILE PROTESTING VARIOUS NEW REGULATIONS IN PRINCIPLE, THEIR PRESSURE CAN BE SAID TO HAVE EASED SINCE LAST YEAR.

G. USIS HAS MADE A VERY VALUABLE CONTRIBUTION TO OUR OBJECTIVES IN NORWAY: NOTABLY WITH ITS PERFORMANCES FOR TRADE UNION AUDIENCES AROUND THE COUNTRY, ITS BI-ANNUAL TOUR TO NATO FOR PARLIAMENTARIANS, AND ITS ACTIVE GRANT PROGRAM. THE VISIT OF SENATOR BULBRIGHT TO FETE
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THE 25TH ANNIVERSARY OF HIS PROGRAM IN NORWAY WAS A PUBLIC RELATIONS SUCCESS. BUT I AM ESPECIALLY PLEASED OVER THE \$62,000 THE EMBASSY WAS ABLE TO RAISE FROM BUSINESS FIRMS IN NORWAY FOR SCHOLARSHIPS AND A CULTURAL PRESENTATION TO COMMEMORATE THE 150TH ANNIVERSARY THIS YEAR OF NORWEGIAN EMIGRATION TO THE U.S.

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C O N F I D E N T I A L SECTION 3 OF 4 OSLO 1303

LIMDIS

H. WE MANAGED TO ACCOMMODATE OR SIDE-STEP MANY OF OUR POLICY DIFFERENCES WITH NORWAY THIS PAST YEAR, BUT MANY OF THESE SAME ISSUES WILL RECUR. IT IS PARTICULARLY ON SOME ISSUES INVOLVING THE UN, SOUTHEAST ASIAN AND THIRD WORLD RELATIONS THAT WE SEE THINGS DIFFERENTLY. I FEAR OUR EFFORTS TO HOLD THE LINE HERE ON THE PRG AND GRUNK ARE A LOSING PROPOSITION IN LIGHT OF EVENTS IN SOUTHEAST ASIA. WE CAN ANTICIPATE FURTHER PROBLEMS WITH NEGOTIATIONS OVER SAS-PANAM FLIGHT SCHEDULES, WITH CONGRESSIONAL EFFORTS TO ADOPT OIL CARGO PREFERENCE LEGISLATION, AND WITH OUR LOS AND ANTARCTIS POSITIONS ON DEEP SEA MINERAL EXPLOITATION RIGHTS. WHILE AT PRESENT WE SHARE NORWEGIAN CONCERN OVER RAPIDLY MOVING DEVELOPMENTS IN PORTUGAL AND PLIGHT OF PORTUGUESE SOCIAL DEMOCRATS, I CAN ALSO FORESEE WHERE OUR EVALUATIONS OF WHAT TO DO ABOUT PORTUGAL MAY DIVERGE AT SOME POINT.

I. WHILE I BELIEVE WE CAME THROUGH THE PAST YEAR IN GOOD SHAPE, I AM CONCERNED OVER LONGER-TERM TRENDS AFFECTING THE PSYCHOLOGICAL CLIMATE IN WHICH WE MUST OPERATE. NORWAY REMAINS ONE OF THE STABLEST, MOST TRADITION-BOUND COUNTRIES IN EUROPE. BUT FACED WITH NEW PROBLEMS AND A NEW ENVIRONMENT OFFERING GREATER FREEDOM OF ACTION, TRADITIONAL INDIVIDUALISTIC, NATIONALISTIC, CONFIDENTIAL

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INWARD-LOOKING ATTITUDES PREVALENT DURING THE INTER-WAR ERA ARE BEGINNING TO REASSERT THEMSELVES, WITH THE EEC REFERENDUM AND OIL PROVIDING THE CATALYST. THE PAST RELATIONSHIP TO THE U.S. OF UNQUESTIONED TRUST AND SOLIDARITY IS CHANGING, AS NEW GENERATIONS WITH FEW DIRECT TIES TO AMERICA GROW UP AND ARE SOURCED BY VIETNAM, WATERGATE, AND WHAT THEY BELIEVE TO BE VALUE STANDARDS IN CONFLICT WITH THEIR MORAL, SOCIALIST SOCIETY. THE ABILITY OF THE LEFT TO TRANSLATE NATIONALIST SENTIMENTS INTO POSITIONS WHICH ARE ANTI-NATO, ANTI-EUROPE, ANTI-US OR AT LEAST "NEUTRAL BETWEEN THE SUPER POWERS" IS LIKELY TO PERSIST, PARTICULARLY SINCE THE RADICAL SOCIALIST-COMMUNIST COALITION SEEMS ABLE TO HOLD TOGETHER. WHILE THE LABOR PARTY WILL COUNTLESSLY REMAIN IN POWER UNTIL AT LEAST 1977, IT IS LIKELY TO GOVERN WITH AN UNSURE HAND, DIVIDED OVER HOW TO HANDLE ITS MINORITY POSITION AND DECLINE IN POPULARITY. THE ELECTION OF A NEW PARTY LEADERSHIP THIS APRIL IS UNLIKELY TO CHANGE THE SITUATION VERY MUCH. ON CRUCIAL ISSUES LIKE SECURITY, THE GOVERNMENT CAN BE DECISIVE, BUT IT OFTEN FINDS IT EXPEDIENT TO ABSTAIN OR THROW A BONE TO THE LEFT RATHER THAN TAKE A STAND ON CONTROVERSIAL ISSUES WE CONSIDER RELATIVELY IMPORTANT. WHAT THIS MEANS, OF COURSE, IS THAT WE CANNOT TAKE NORWAY FOR GRANTED, AS WE USED TO, AND MUST SIMPLY WORK HARDER TO SELL OUR POINT OF VIEW. GIVEN NATIONALIST UNDERCURRENTS, HOWEVER, THIS ALSO MEANS THAT NORWEGIAN OFFICIALS MUST BE ABLE TO DEMONSTRATE MORE PERSUASIVELY THAN BEFORE WHY SUPPORT FOR U.S. OBJECTIVES IS ALSO IN NORWAY'S ENLIGHTENED SELF-INTEREST.

6. U.S. PRIORITY OBJECTIVES.

OUR OBJECTIVES IN THE COMING YEAR FOLLOW LOGICALLY FROM MY EARLIER DISCUSSION:

A. IN THE AREA OF DEFENSE, WE SHOULD SEEK TO MAINTAIN OUR VITAL BILATERAL SECURITY PROGRAMS, ENCOURAGE DEFENSE SPENDING AT THE LEVEL SET IN THE CURRENT FIVE-YEAR PLAN AND PROMOTE STANDARDIZATION OF EQUIPMENT THROUGH PURCHASE OF THE F-16, ROLAND II SHORT RANGE AIR DEFENSE SYSTEMS AND A COST-EFFECTIVE CONTINENTAL SHELF SURVEILLANCE/DEFENSE SYSTEM, USING U.S. EQUIPMENT WHERE POSSIBLE. A HIGH LEVEL DEFENSE COMMISSION, CONSTITUTED IN 1973 AND TASKED WITH REVIEW OF THE ENTIRE SPECTRUM OF NORWEGIAN SECURITY POLICY, IS EXPECTED TO

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ENDORSE MAJOR DECISIONS ON F-16 AND ROLAND II SHORAD SYSTEM AS WELL AS REAFFIRM MAIN LINES OF NORWEGIAN DEFENSE POSTURE. THE VISITS TO THE U.S. THIS SPRING OF THE STORTING DEFENSE COMMITTEE AND OF THE CHIEF OF STAFF, GENERAL ZEINAR-GUNDERSEN PROVIDE US WITH A GOLDEN OPPORTUNITY TO INFLUENCE KEY POLICY-MAKING OFFICIALS.

B. IN THE POLITICAL FIELD, REGULAR CONSULTATION WITH KEY OFFICIALS AND EFFECTIVE EXCHANGE PROGRAMS ARE VITAL. WE NEED TO ENLIST NORWAY'S COOPERATION IN MANY AREAS OF SHARED INTEREST (E.G., DISARMAMENT, UN, OECD) AS WELL AS IN NEW FIELDS OF EXPANDING COOPERATION (ENVIRONMENT, OCEANS, SCIENCE/TECHNOLOGY). IN ADDITION TO IDENTIFYING INFLUENTIAL PEOPLE IN GOVERNMENT, POLITICS, MEDIA, ETC. FOR GRANTS AND CULTIVATION, WE NEED TO MAKE A SPECIAL EFFORT TO REACH OUT TO POTENTIAL NEW LEADERS, SPECIFICALLY THOSE CRITICAL OF US. THE 150TH ANNIVERSARY OF NORWEGIAN EMIGRATION TO AMERICA AND OUR BICENTENNIAL PROVIDE A MOST EFFECTIVE PRETEXT FOR BROADENING AND REINVIGORATING OUR TIES.

C. THE ARCTIC AND SVALBARD ARE AREAS OF INCREASING POLICY INTEREST IN NORWAY. OUR PRIORITY TASK SHOULD BE TO REMAIN INFORMED ON WHAT HAPPENS UP NORTH, SO THAT WE KNOW WHEN AND HOW TO EXERT INFLUENCE TO PROTECT OUR OWN INTERESTS, WHETHER BY SUPPORTING NORWAY AGAINST RUSSIA, OR VICE-VERSA. TO PROTECT OUR INTERESTS VIS-A-VIS BOTH MOSCOW AND OSLO, WE NEED TO ENCOURAGE A MORE VISIBLE AMERICAN INTEREST IN AND PRESENCE ON SVALBARD: I WOULD HOPE A SENIOR DEPARTMENT OFFICIAL COULD JOIN ME THIS SUMMER AT THE 50-YEAR ANNIVERSARY CELEBRATION (AUGUST 14) OF THE SVALBARD TREATY; THE DEPARTMENT SHOULD ALSO SPECIFICALLY URGE THE NATIONAL SCIENCE FOUNDATION TO EXAMINE THE POSSIBILITY OF ASSIGNING U.S. SCIENTISTS TO THE NY ALESUND SCIENTIFIC CENTER OR OTHER PROJECT ON SVALBARD. TO AVOID EVENTUAL CONFRONTATION WITH NORWAY OVER THE SVALBARD CONTINENTAL SHELF ISSUE, WE SHOULD

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ENCOURAGE THE NORWEGIANS TO LOOK TOWARD SOME EVENTUAL ACCOMMODATION ALLOWING ALL SIGNATORY POWERS TO EXPLOIT SVALBARD'S CONTINENTAL SHELF UNDER NORWEGIAN-ADMINISTERED CONTROLS REASSURING TO INTERESTED PARTIES, INCLUDING THE SOVIETS AND THE ENVIRONMENTALISTS.

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C O N F I D E N T I A L FINAL SECTION OF 4 OSLO 1303

LIMDIS

D. IN THE COMMERCIAL FIELD, NORWAY'S GENERAL PROSPERITY AND EXPANDING CONSUMER MARKET AND OUR WEAK DOLLAR SHOULD ASSIST US IN SELLING OUR TRADITIONAL MANUFACTURED AND AGRICULTURAL PRODUCTS AND IN FINDING NEW MARKETS TO FULFILL THE GOALS OF THE FY 1976 AND 1977 COUNTRY COMMERCIAL PROGRAMS. SIMILARLY, WE SHOULD BE ABLE TO CAPITALIZE ON THE 150TH ANNIVERSARY AND BICENTENNIAL TO PROMOTE TOURISM.

E. IN THE MORE GENERAL ECONOMIC FIELD, WE MUST RECOGNIZE THAT THE DEPRESSION IN THE TANKER MARKET AND GROWING ROLE FOR OIL AND GAS HAVE ONLY FURTHER WEAKENED THE INFLUENCE OF PRIVATE ENTERPRISE AND STRENGTHENED THE STATE SECTOR AS THE FOCUS OF ECONOMIC POLICY IN NORWAY. WITH THEIR GREATER SOPHISTICATION IN THE OIL BUSINESS AND THE LIKELIHOOD THAT ORIGINAL OIL PRODUCTION TARGETS WILL BE EXCEEDED WITH THE DEVELOPMENT OF THE NEW STATE-FJORD FIELD, I AM HOPEFUL THAT NORWEGIAN OFFICIALS WILL TAKE A MORE PRAGMATIC APPROACH TO OIL DEVELOPMENTS. WE WILL CONTINUE TO WORK PATIENTLY WITH KEY OFFICIALS AND OUR OIL COMPANIES TO ENSURE THAT OUR FIRMS GET THEIR FAIR SHARE OF THE MARKET, TO ENCOURAGE NOWAY TO LIBERALIZE NORTH SEA DEVELOPMENT, AND TO URGE HER TO PLAY AN ACTIVE ROLE IN THE IEA. THERE

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IS A CLOSER CONGRUENCE OF AMERICAN AND NORWEGIAN INTERESTS IN OTHER AREAS SUCH AS LAW OF THE SEA, FOREIGN AID, SHIPPING, INTERNATIONAL FINANCE AND TRADE POLICY; IT IS HERE THAT WE NEED TO FOCUS OUR EFFORTS. THE FINANCIAL AREA ALSO OFFERS OPPORTUNITIES FOR COOPERATION AS NORWAY INCREASINGLY ENTERS INTERNATIONAL MARKETS, FIRST AS BORROWER, BUT ONCE OIL REVENUE BEGINS TO COME IN, AS LENDER AND CAPITAL EXPORTER. THROUGH SYSTEMATIC CULTIVATION OF KEY OFFICIALS, THE EXTENSION OF GRANTS, ETC., WE NEED TO DEVELOP A BETTER UNDERSTANDING HERE OF THE RESPONSIBLE ROLE NORWAY SHOULD PLAY ON THE WORLD ECONOMIC SCENE TO RESIST NATIONALIST, PROTECTIONIST, ANTI-FREE TRADE TRENDS.

F. IN THE CONSULAR AREA, APART FROM MEETING AN INCREASED WORKLOAD CONNECTED WITH THE 150TH ANNIVERSARY OF NORWEGIAN EMIGRATION AND THE BICENTENNIAL, OUR PRIORITY OBJECTIVE IS TO COOPERATE WITH NORWEGIAN AUTHORITIES IN NEGOTIATION OF A NEW EXTRADITION TREATY.

7. RESOURCE NEEDS.

I BELIEVE THAT WE CAN ACCOMPLISH THE ABOVE OBJECTIVES AND PROGRAMS WITHOUT ANY SIGNIFICANT ADDITION TO EMBASSY'S PRESENT STAFF AND RESOURCES.

A. I MUST POINT OUT, HOWEVER, THAT THE PRESENT COMPLEMENT IN OUR COMMUNICATION SECTION IS CLEARLY INADEQUATE TO HANDLE AN INCREASING WORKLOAD, GIVEN OUR SPECIAL POUCH REQUIREMENTS. THE FOREIGN SERVICE INSPECTORS RECOGNIZED THE NEED FOR AN ADDITIONAL PERSON. WITH THE REDUCTION IN ONE AMERICAN CONSULAR POSITION AND THE INCREASE IN THE FEDERAL BENEFITS UNIT, WE ALSO NEED ONE ADDITIONAL LOCAL CONSULAR EMPLOYEE.

B. TRAVEL FUNDS IN THE CURRENT FISCAL YEAR ARE SHORT LARGELY BECAUSE OF THE DELAY IN PROVIDING FIELD ALLOTMENTS AND THE UNEXPECTED REQUIREMENTS FOR MEDICAL AND EMERGENCY TRAVEL. AS USUAL THE REPRESENTATION ALLOWANCE IS INADEQUATE FOR THE NEEDS, AND THE PRESSURES OF INFLATION, PAY RAISES AND DOLLAR VALUE DECLINE HAVE CUT

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SEVERELY INTO THE EMBASSY'S BUDGET. LOCAL EMPLOYEE WAGES ARE AFFECTED IN PARTICULAR BY THE NORWEGIAN GOVERNMENT'S POLICY OF PROVIDING A REAL WAGE INCREASE TO NORWEGIANS OVER THE 11 PERCENT INFLATIONARY RATE, PUSHING GOODS AND SERVICES COST UP BY AS MUCH AS 20 PERCENT IN FY 75.

C. FOR THE CU IVP PROGRAM WE CAN WELL USE AN ANNUAL BUDGET OF AT LEAST 15 FULL GRANTS (\$30,000). AS GRANT COSTS HAVE RISEN (FROM \$2,000 TO \$2,500 PER UNIT COST) WE WILL NEED APPROXIMATELY \$7,500 MORE TO ACHIEVE THE REQUIRED GRANT LEVEL. THE EDUCATIONAL EXCHANGE PROGRAM LIKEWISE IS SUFFERING THE EFFECTS OF INFLATION AND DOLLAR DECLINE. WE WILL NEED APPROXIMATELY \$50,000 OVER THE CURRENT \$117,000 BUDGET FROM THE U.S. AND NORWEGIAN GOVERNMENTS TO PUT THIS PROGRAM ON AN EFFECTIVE LEVEL.

D. IF WE ARE TO FULFILL THE GOALS OF OUR COUNTRY COMMERCIAL PROGRAM, WE WILL NEED APPROXIMATELY \$11,000 FOR TRADE PROMOTION ACTIVITY IN FY 1976 AND \$13,000 IN FY 1977.

E. WITHOUT THE GENEROUS SUPPORT AND RESPONSIVE ASSISTANCE WE HAVE RECEIVED FROM THE DEPARTMENT THIS PAST YEAR, WE WOULD BE IN MUCH WORSE SHAPE.
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